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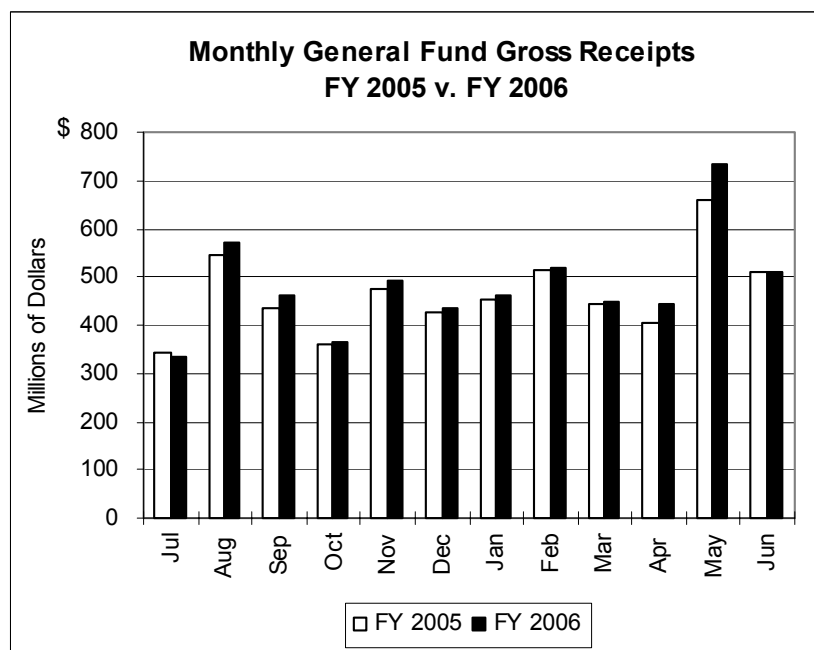
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: July 3, 2006

### Monthly General Fund Receipts through June 30, 2006

The attached spreadsheet presents FY 2006 General Fund receipts, with comparable figures for actual FY 2005. The figures can be compared to the FY 2006 estimate of \$5.684 billion set by the Revenue Estimating Conference (REC) on March 24, 2006. The FY 2006 estimate is an increase of \$115.5 million (2.1%) compared to actual FY 2005 gross cash receipts (excludes refunds, transfers, and accrued revenue changes).



### FY 2006 Compared to FY 2005

Fiscal year to date, total gross cash receipts increased \$201.7 million (3.6%) compared to FY 2005. Major revenue sources contributing to the change include:

- Personal income tax (positive \$71.9 million)
- Sales & use tax (positive \$68.8 million)
- Corporate tax (positive \$67.7 million)
- Other taxes (negative \$11.9 million)
- Other receipts (positive \$5.3 million)

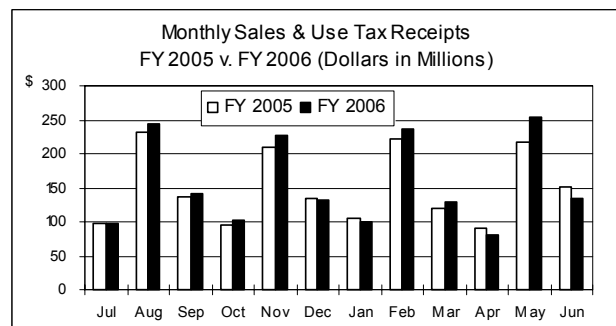
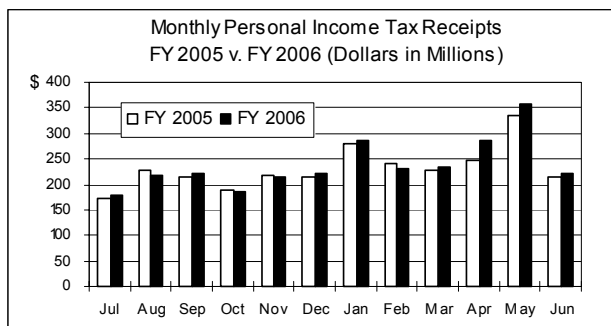
## FY 2006 Cash Comparison to REC Estimate

The cash fiscal year ended June 30. Accrued revenue and refund changes through the end of September will continue to adjust FY 2006 net receipts. The General Fund ended the cash fiscal year \$86.2 million above the REC estimate on a gross cash basis, and \$115.2 million above the REC estimate when refunds and transfers are included. Major revenue sources contributing to the change include:

- Personal income tax (positive \$42.2 million)
- Sales & use tax (negative \$3.8 million)
- Corporate tax (positive \$36.5 million)
- Other taxes (negative \$1.5 million)
- Other receipts (positive \$12.9 million)
- Transfers (negative \$2.1 million)
- Refunds (positive \$31.0 million)

**Personal income tax** revenues received in June totaled \$222.5 million, an increase of \$6.5 million (3.0%) compared to June 2005. The State lowered income tax withholding table rates effective April 1, 2005. A smaller second withholding table change occurred April 1, 2006. The impact of that change should be about one-third as large as the April 1, 2005, change.

The FY 2006 REC income tax estimate of \$2.812 billion represents a projected increase of 1.1% compared to actual FY 2005. The cash fiscal year ended with total income tax growth of 2.6%. By subcategory, withholding tax payments decreased 0.3%, income tax estimate payments increased 10.7%, and payments with returns increased 18.7%. The following chart compares FY 2006 monthly personal income tax receipts from all three personal income tax subcategories with FY 2005.



**Sales/use tax** receipts received in June totaled \$134.4 million, a decrease of \$17.2 million (- 11.3%) compared to June 2005. During the 2005 income tax processing season, the Department of Revenue slowed processing of sales/use tax payments to concentrate on a backlog of income tax returns. That delay pushed sales/use tax receipts that should have been deposited in May 2005 into June 2005. This contributed to the large 2006 monthly increase for May and a decrease for June.

The REC estimate for FY 2006 sales/use tax receipts is \$1.885 billion, an increase of 4.0% compared to actual FY 2005. The cash fiscal year ended with sales/use tax growth of 3.8%. The preceding chart compares FY 2006 monthly sales tax receipts with FY 2005.

**Corporate tax** receipts received in June totaled \$61.3 million, a \$17.3 million increase (39.3%) compared to June 2005. The REC estimate for FY 2006 corporate tax revenue is \$312.1 million,

which represents an increase of 11.1% compared to actual FY 2005. The cash fiscal year ended with corporate tax growth of 24.1%.

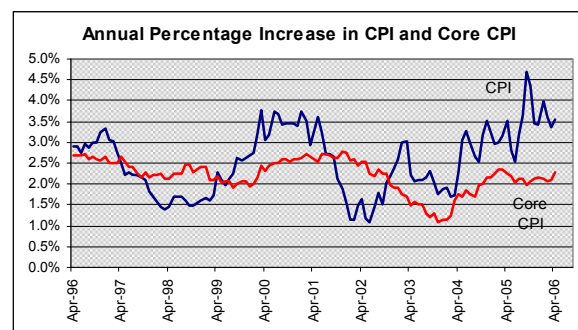
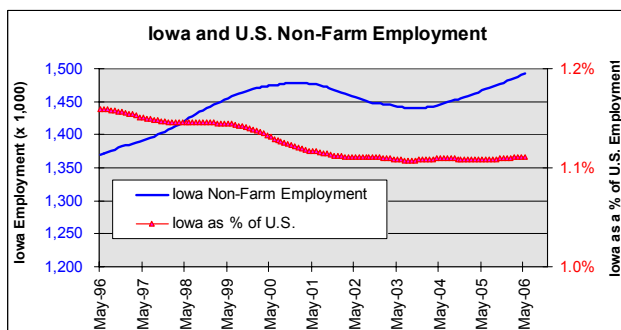
**Other tax** receipts received in June totaled \$58.4 million, a \$5.0 million decrease (- 7.9%) compared to June 2005. The decrease was in insurance premium tax receipts. The REC estimate for FY 2006 receipts from other taxes is \$345.0 million, which represents a decrease of 2.9% compared to actual FY 2005. For the cash fiscal year, other tax receipts decreased 3.3%. Insurance premium tax revenue was below projections while franchise and inheritance tax receipts exceeded projections.

**Other receipts** (non-tax receipts) received in June totaled \$31.1 million, a \$2.4 million decrease (- 7.2%) compared to June 2005. Fee and miscellaneous revenue sources were down for the month while liquor profit transfers and judicial revenue increased. The REC estimate for FY 2006 other receipt revenue is \$330.4 million, which represents a decrease of 2.2% compared to actual FY 2005. For the cash fiscal year, other receipts increased 1.6%. Interest, liquor profits, fees, and judicial revenue all exceeded projections.

**Tax refunds** issued in June totaled \$21.7 million, a \$4.2 million decrease (- 16.3%) compared to June 2005. The REC fiscal year estimate for FY 2006 refunds is \$623.8 million, which represents a decrease of 10.5% compared to actual FY 2005. On a cash basis, refunds decreased 15.7%.

### Status of the Economy

Iowa non-farm employment was reported at 1,519,800 for the month of May (not seasonally adjusted), 25,400 higher (1.7%) than May 2005. The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked at an all time high in January 2001 (1,478,700), and the recent low was September 2003 (1,439,900). The current 12-month average reading is 1,492,300, so annualized Iowa non-farm employment is roughly 13,500 above its 2001 peak and 52,300 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1996 through 2003, but has held relatively stable over the past three years.



Consumer prices increased 0.5% during the month of May (not seasonally adjusted). The Consumer Price Index (CPI-U) through May 2006 was 202.5 (1983/84=100), 4.2% higher than one year ago. Core CPI, an inflation measure that excludes food and energy prices, increased 0.1% during May and the year-over-year change was 2.4%. The core inflation rate has generally declined since the early 1990's. The graph shows that although the full measure of inflation has accelerated significantly since March 2004, the Core CPI rate has remained within a normal range.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2005 vs. FY 2006 July 1 through June 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 05 Actual Compared to FY 06 REC Estimate		
	FY 2005	FY 2006	Year to Date % Change	June % Change	Actual FY 2005	Estimate FY 2006	Projected % Change
Personal Income Tax	\$ 2,782.3	\$ 2,854.2	2.6%	3.0%	\$ 2,782.3	\$ 2,812.0	1.1%
Sales/Use Tax	1,812.3	1,881.1	3.8%	-11.3%	1,812.3	1,884.9	4.0%
Corporate Income Tax	280.9	348.6	24.1%	39.3%	280.9	312.1	11.1%
Inheritance Tax	78.4	73.1	-6.8%	3.6%	78.4	70.9	-9.6%
Insurance Premium Tax	130.9	121.4	-7.3%	-18.2%	130.9	128.3	-2.0%
Cigarette Tax	87.4	89.5	2.4%	4.5%	87.4	89.1	1.9%
Tobacco Tax	8.7	9.2	5.7%	0.0%	8.7	9.0	3.4%
Beer Tax	14.0	14.2	1.4%	7.7%	14.0	14.3	2.1%
Franchise Tax	35.4	35.5	0.3%	1.9%	35.4	32.8	-7.3%
Miscellaneous Tax	0.6	0.6	0.0%	100.0%	0.6	0.6	0.0%
Total Special Taxes	\$ 5,231.0	\$ 5,427.4	3.8%	0.3%	\$ 5,230.9	\$ 5,354.0	2.4%
Institutional Payments	12.7	13.0	2.4%	0.0%	12.7	12.5	-1.6%
Liquor Profits	59.0	63.8	8.1%	53.7%	59.0	61.8	4.7%
Interest	9.7	17.5	80.4%	-77.8%	9.7	13.5	39.2%
Fees	72.3	76.2	5.4%	-47.5%	72.3	72.0	-0.4%
Judicial Revenue	59.2	63.1	6.6%	22.6%	59.2	60.9	2.9%
Miscellaneous Receipts	65.1	49.7	-23.7%	-31.2%	65.1	49.7	-23.7%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 5,568.9	\$ 5,770.6	3.6%	-0.2%	\$ 5,568.9	\$ 5,684.4	2.1%